



**Condensed Consolidated Interim Financial Statements of
Metalto Manufacturing Inc.**

(Stated in Canadian Dollars)
December 31, 2021
(Unaudited)

Metalto Manufacturing Inc.
Consolidated Statements of Financial Position
(Amounts presented in Canadian Dollars)



	31-Dec 2021 \$	30-Jun 2021 \$	30-Jun 2020 \$
Assets			(Adjusted- note 3)
Current assets:			
Cash	72,365	47,705	325,513
Other receivable	16,175	4,842	9,297
Investments	-	806	2,800
	88,540	53,353	337,610
Non-current assets:			
Project development costs (Note 4)	1,462,322	1,462,322	1,462,322
Property and equipment (Note 5)	8,459	10,368	14,187
	1,470,781	1,472,690	1476509
	1,559,321	1,526,043	1,814,119
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	906,222	961,822	860835
Short-term loans (Note 6)	7,003,597	6,812,819	8,692,604
	7,909,820	7,774,641	9,553,439
Non-current liabilities:			
Long-term debt (Note 7)	4,215,050	3,671,246	1,001,993
	12,124,869	11,445,887	10,555,432
Shareholders' equity			
Share capital (Note 8)	9,537,978	9,487,978	9,387,978
Equity component convertible debenture	649,593	649,593	649,593
Stock based payment reserve	1,284,000	1,284,000	1,284,000
Deficit	(15,715,255)	(15,240,205)	(14,635,271)
Deficiency attributable to shareholders	(4,243,684)	(3,818,634)	(3,313,700)
Non-controlling interests	(6,321,864)	(6,101,210)	(5,427,613)
	(10,565,548)	(9,919,844)	(8,741,313)
	1,559,321	1,526,043	1,814,119

Note 1 - Nature of operations and going concern

Note 14 - Commitments and contingencies

Note 17 - Subsequent events

The accompanying notes form an integral part of these consolidated financial statements

Approved on behalf of the Board:

David J. Hennigar

Francis H. MacKenzie

February 16, 2022

Metalto Manufacturing Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Amounts presented in Canadian Dollars)



	Three months ended		Six months ended	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	\$		\$	\$
				(adjusted-note 3)
Operating expenses (Note 12)	(121,399)	(176,832)	(230,448)	(304,777)
Depreciation (Note 6)	(954)	(954)	(1,909)	(1,909)
Interest and bank charges	(211,203)	(189,173)	(407,396)	(373,212)
Interest accretion	(29,770)	(31,374)	(83,290)	(59,132)
Government assistance benefit (Note 8)	-	14,631	-	14,631
Gain on modification of debt	27,500	-	27,500	-
Realized loss on investments	-	-	(161)	-
Unrealized (loss) on investments	-	(400)	-	(1,200)
Net loss before taxes	(335,826)	(384,102)	(695,704)	(725,599)
Income tax recovery (Note 14)	-	-	-	-
Net loss and comprehensive loss	(335,826)	(384,102)	(695,704)	(725,599)
Net loss and comprehensive attributable to:				
Shareholders of the Corporation	(226,022)	(201,539)	(475,050)	(370,055)
Non-controlling interest	(109,804)	(182,563)	(220,654)	(355,544)
Net loss and comprehensive loss	(335,826)	(384,102)	(695,704)	(725,599)
Net loss per share	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)
Weighted average number of shares outstanding (Note 8)	19,513,396	18,884,457	19,513,396	18,884,457

The accompanying notes form an integral part of these consolidated financial statements

Metalo Manufacturing Inc.
Consolidated Statement of Changes in Equity
(Amounts presented in Canadian Dollars)



	Number of Shares Issued	Share Capital	Equity Component Convertible Debenture	Stock based payment reserve	Retained Earnings	Total Shareholders Equity	Non- controlling interest	Total Equity
		\$	\$	\$	\$	\$	\$	\$
Balance June 30, 2020 (Adjusted)	18,830,815	9,387,978	649,593	1,284,000	(14,635,271)	(3,313,700)	(5,427,613)	(8,741,313)
Net loss and comprehensive loss for the period	-	-	-	-	(370,055)	(370,055)	(355,544)	(725,599)
Shares issued in payment of interest (Note 8)	285,129	50,000	-	-	-	50,000	-	50,000
Balance December 31, 2020	19,115,944	9,437,978	649,593	1,284,000	(15,005,326)	(3,633,755)	(5,783,157)	(9,416,912)
Balance June 30, 2021	19,524,026	9,487,978	649,593	1,284,000	(15,240,205)	(3,818,634)	(6,101,210)	(9,919,844)
Net loss and comprehensive loss for the period	-	-	-	-	(475,050)	(475,050)	(220,654)	(695,704)
Shares issued in payment of interest (Note 6)	220,850	50,000	-	-	-	50,000	-	50,000
Balance December 31, 2021	19,744,876	9,537,978	649,593	1,284,000	(15,715,255)	(4,243,684)	(6,321,864)	(10,565,548)

The accompanying notes form an integral part of these consolidated financial statements

Metalo Manufacturing Inc.
Consolidated Statements of Cash Flows
For the three and six months ended December 31, 2021
(Amounts presented in Canadian Dollars)



	Three months ended		Six months ended	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	\$	\$	\$	\$
				(adjusted -note 3)
Cash flows used in operating activities:				
Net loss	(335,826)	(384,102)	(695,704)	(725,599)
Items not involving cash:				
Depreciation	954	954	1,909	1,909
Government assistance benefit	-	(14,631)	-	(14,631)
Interest capitalized on short-term loans and long-term debt	185,815	137,199	331,937	269,629
Realized loss on investments	-	-	161	-
Unrealized loss on investments	-	400	-	1,200
Gain on modification of debt	(27,500)	-	(27,500)	-
Interest paid by issuance of shares	25,000	25,000	50,000	50,000
Interest accretion	29,770	31,374	83,290	59,132
Changes in non-cash operating working capital				
Other receivables	(11,416)	(7,421)	(11,333)	(5,989)
Trade and other payables	(105,716)	89,102	(55,600)	20,310
	(238,919)	(122,125)	(322,840)	(344,037)
Cash flows generated from financing activities:				
Proceeds (repayments) of short term borrowings	172,500	50,000	217,500	50,000
Proceeds from long term debt	130,000	60,000	130,000	60,000
	302,500	110,000	347,500	110,000
Increase (decrease in cash during the period)	63,581	(12,125)	24,660	(234,037)
Cash, beginning of period	8,784	103,601	47,705	325,513
Cash, end of period	72,365	91,476	72,365	91,476

The accompanying notes form an integral part of these consolidated financial statements



NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Metalo Manufacturing Inc. (the “**Corporation**”) have been prepared by and are the responsibility of the Corporation’s management.

The Corporation’s independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

The condensed consolidated interim financial statements, the notes thereto and other financial information contained in the management’s discussion and analysis are the responsibility of management of the Corporation and have been approved by the Board of Directors.

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where necessary, include amounts which reflect management’s best estimates and judgments based on current available information. The Corporation maintains systems of internal accounting and administrative controls in order to provide reasonable assurance that the Corporation’s assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the interim condensed consolidated financial statements and the accompanying management’s discussion and analysis.

The Audit Committee is composed of a majority of independent directors and meets periodically with management and the independent auditors to review internal accounting controls, auditing matters and financial reporting issues, and to satisfy itself that all parties are properly discharging their responsibilities. The Audit Committee also reviews the interim condensed consolidated financial statements and the management’s discussion and analysis of financial results and reports its findings to the Board of Directors for its consideration when approving the interim condensed consolidated financial statements for issuance to the shareholders.

“Francis H. MacKenzie”

President and Chief Executive Officer

February 16, 2022



1. CORPORATE INFORMATION

Metalo Manufacturing Inc. (the “**Corporation**”) was incorporated on October 4, 2000 under the laws of Alberta. Through its direct and indirect subsidiaries, it is involved in the mining and exploration sector and the manufacturing sector. The Corporation’s Head Office is located at Suite 2002, 145 Richmond St. W., Toronto, ON, M5H 2L2.

The Corporation owns 43.9% of Grand River Ironsands Incorporated (“**GRI**”), a company incorporated in Nova Scotia. GRI owns 90% of Labrador Sands Inc. (previously North Atlantic Iron Corporation) (“**LSI**”), a company incorporated in Newfoundland and Labrador and is engaged in the exploration and development of mineral deposits. GRI’s wholly owned subsidiary, Pure Fonte Ltée (“**PFL**”), is a company federally incorporated with its place of business in Quebec. PFL is expected to engage in nodular pig iron manufacturing. Forks Specialty Metals Inc. (“**FSM**”) was a wholly owned subsidiary of GRI, incorporated in Pennsylvania, which filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court, Eastern District of Pennsylvania

The consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation and its partially owned subsidiaries have not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the subsidiary’s interest in the underlying mining claims, the ability of the Corporation and its subsidiaries to obtain necessary financing from shareholders, investors, and lenders to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Corporation has cash on hand of \$72,365 (June 30, 2021 - \$47,705) and has a working capital deficiency of \$7,821,946 (June 30, 2021 - \$7,855,494). The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its continuing exploration efforts. These uncertainties cast significant doubt upon the Corporation’s ability to continue as a going concern. Management plans to raise additional debt and/or equity financing to continue operations. Although the Corporation has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Corporation. The consolidated interim financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material.

On March 11, 2020, the World Health Organization declared a pandemic following the emergence and rapid spread of a novel strain of coronavirus (“**COVID-19**”). The continued spread of COVID-19 and the actions being taken by governments, businesses, and individuals may adversely impact the Corporation’s operations and its financial results. This has resulted in significant economic uncertainty, of which the potential impact on the Corporation’s future financial results is difficult to reliably measure.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Statement of Compliance

These unaudited interim condensed consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting (“IAS34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect for the period ended December 31, 2021. They do not include all financial information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Corporation for the year ended June 30, 2021.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on February 16, 2022.

These unaudited interim condensed consolidated financial statements are prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars which is also the Corporation’s functional currency and the functional currency of its Canadian subsidiaries. The functional currency of the US subsidiary is the USD.

(b) Basis of Consolidation

These financial statements include the accounts of the Corporation, GRI, LSI, and PFL (see Note 3), as well as FSM (see Note 15). All inter-company transactions and balances have been eliminated on consolidation.

(c) Business combinations, goodwill, and non-controlling interests

The Corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition dates. Acquisition related costs are expensed as incurred.

Transactions with non-controlling interests are treated as transactions with equity owners of the Corporation. For purchases from non-controlling interests that do not involve loss of control, the difference between the fair value of the consideration paid and the share of the carrying value of net assets acquired is recorded in equity. Similarly, gains or losses on disposals to non-controlling interests, which do not involve loss of control, are computed and recorded in equity.

(d) Resource properties

Mineral property expenses and mining reserves are stated at cost by capitalizing related expenditures until they are ready for commercial production. Upon commercial viability, depletion commences on a unit-of-sale basis over the estimated recoverable measured and indicated reserves.



2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Resource properties (continued)

Pre-exploration costs are generally expensed unless management considers it probable that future economic benefits can be identified. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the year the disposition or abandonment occurs.

The value associated with resources and exploration potential is allocated at acquisition and is classified as non-depletable until such time as it is transferred to the depletable category, generally as a result of the conversion of resource or exploration potential into reserves. On transfer, the asset is tested for impairment.

(e) Intangible assets

Intangible assets are comprised of the project development costs that have been incurred related to the future investment in a manufacturing facility that management expects to construct. Depreciation will commence once the project is completed.

(f) Restoration, rehabilitation and environmental obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises.

(g) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment. The cost of an item of property and equipment consists of the purchase price and any cost directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is provided using the declining balance method at the following annual rates:

Assets	Rates
Computer hardware	30%
Office furniture and equipment	20%
Industrial equipment	20%
Automotive equipment	30%

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of Non-Financial Assets

Resource properties that are not subject to amortization, property and equipment and other non-current assets with definite useful lives, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Project development costs, that are not yet available for use, are subject to an annual impairment assessment. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

Impairment losses may be reversed, except for goodwill, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized.

(i) Share Issuance Cost

Costs incurred for the issuance of common share are deducted from share capital.

(j) Foreign Currency

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. As at the statements of financial position date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in the statement of loss and comprehensive loss.

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign Currency (continued)

Financial statements of subsidiaries, affiliates and joint ventures for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the balance sheet exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the year. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the income statement and recognized as part of the gain or loss on disposal.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

(k) Income Taxes

Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using the substantively enacted rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse.

The effect of changes in rates is included in the statement of comprehensive income in the year which included the substantive enactment date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Stock-based Payments

Stock based payment awards that are direct awards of stock to employees or directors, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by issuing equity instruments, are accounted for using the Black-Scholes option pricing model. The cost is recognized on a straight-line graded method basis adjusted for expected forfeitures as an employee or director expense with a corresponding increase to equity in stock-based payment reserve. Consideration paid by employees or directors on the exercise of stock options is recorded as share capital.

Stock-based payments with parties other than employees, assumes a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. In certain circumstances, the Corporation rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received. The Corporation then measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments

(i) Financial Assets and Liabilities

The Corporation classifies its financial instruments in the following measurement categories: fair value through profit and loss (“FVTPL”); fair value through other comprehensive income (“FVOCI”); or amortized cost. Management determines the classification of its financial instruments at initial recognition.

The Corporation recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification. Transaction costs that are directly attributable to the acquisition or issue of financial instruments, other than financial instruments at FVTPL are added to or deducted from the fair value of the financial instrument, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments at FVTPL are recognized immediately in net income (loss).

Financial asset is subsequently measured at:

- Amortized cost if it is held for the purposes of collecting contractual cash flows with such cash flows solely comprising payments of principal and interest on the principal amount outstanding;
- FVOCI if it is: held for the purposes of collecting contractual cash flows and selling financial assets with such cash flows solely comprising payments of principal and interest on the principal amount outstanding; or irrevocably designated as such upon initial recognition; and
- FVTPL if it is: neither classified as subsequently measured at amortized cost nor FVOCI; or irrevocably designated as such upon initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as amortized cost are subsequently measured at amortized cost using the effective interest rate method.

The Corporation’s financial assets include cash investments and other receivables. The Corporation’s financial liabilities include trade and other payables, short term loans and long-term debt. Classification of these financial instruments is as follows:

<u>Asset/Liability</u>	<u>Classification</u>
Cash	Amortized cost
Investments	FVTPL
Other Receivables	Amortized cost
Trade and other payables	Amortized cost
Short-term loans	Amortized cost
<u>Long-term debt</u>	<u>Amortized cost</u>

Financial assets are derecognized when the Corporation’s rights to cash flows from the respective assets have expired or have been transferred and the Corporation has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

(i) Financial Assets and Liabilities (continued)

the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of loss and comprehensive loss.

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Impairment of Financial Assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

- Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- FVTPL financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss and comprehensive loss.

Impairment losses on financial assets carried at amortized costs are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on FVTPL equity instruments are not reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) New Accounting Standards Adopted by the Corporation

IFRS 16 “Leases”

IFRS 16 effective for annual periods beginning on or after January 1, 2019. IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. As a lessee, an entity recognizes a right-of-use asset representing its right-to-use the underlying asset and a lease liability representing its obligation to make lease payments.

Effective July 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective transition method. As at the transaction date, the Corporation had no leases in place and therefore, there was no impact to the financial statements.

(o) Critical accounting estimates and judgments

The preparation of consolidated financial statements under IFRS requires the Corporation to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates.

Control of subsidiaries

The determination of control of subsidiaries involves significant judgment. *De facto* control exists in circumstances when an entity owns less than 50% voting rights in another entity but has control for reason other than voting rights or contractual and other statutory means. The consolidated financial statements include the results of GRI and its subsidiaries as management has determined that the Corporation has *de facto* control over GRI and its subsidiaries. The Corporation has the practical ability to direct the relevant activities of GRI and its subsidiaries. The Corporation directly owns 43.9% of GRI, with the remaining shareholders being widely dispersed, each holding less than 3%.

Recoverability of resource properties

At the end of each reporting year, the Corporation assesses each of its resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the year for which the Corporation has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Critical accounting | estimates and judgments (continued)

assessment of the time value of money and the risks specific to the asset. If the Corporation does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Other non-financial assets

Management assesses impairment of non-financial assets such as intangible assets and property and equipment. In assessing impairment, management estimates the recoverable amount of each asset or CGU based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

Deferred income taxes

The Corporation is periodically required to estimate the tax base of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the year of changes.

Each year, the Corporation evaluates the likelihood of whether some portion or all each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for iron ore, production costs, quantities of proven and probable reserves, interest rates, and foreign currency exchange rates.

Share-based Payments

The Corporation makes certain estimates and assumptions when calculating the estimated fair values of stock options granted and warrants issued. The significant assumptions used include estimates of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for grants of stock options and the issuance of warrants.

(p) Provisions

A provision is recognized in the consolidated balance sheets when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.



2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Earnings (Loss) Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to common shareholders by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive ordinary shares into common shares. For the years ended June 30, 2021 and 2020, all dilutive instruments are anti-dilutive. As a result, basic and diluted earnings are the same.

3. INVESTMENT IN SUBSIDIARY COMPANIES

In March 2018, GRI, LSI, PFL and Petmin Limited (“**Petmin**”) agreed to complete a restructuring transaction summarized as follows. Prior to the restructuring, Petmin was a 40% shareholder of LSI and it is now a 10% shareholder of LSI. On February 13, 2019, GRI and Petmin agreed to release their option on each other’s projects.

During the year ended June 30, 2018, Petmin purchased from LSI the rights to the use of the Tenova process which was classified as an intangible asset. The agreement permits either party to construct a pig iron facility in specified locations, Ohio, USA for Petmin and Quebec, Canada for GRI. These exclusive rights will expire in the event either of the parties have not commenced the construction of a pig iron facility within three years of the date of the agreement. Following the transaction with Petmin, LSI transferred 100% of its investment and ownership position in the proposed pig iron facility to PFL in consideration of reduction of a portion of its debt owing to GRI. LSI retained 100% ownership of the mineral resources near Happy Valley-Goose Bay, NL, with GRI holding 90% of its shares and Petmin holding a 10% dilutable ownership position in LSI.

4. PROJECT DEVELOPMENT COSTS

The Corporation is planning the development of a low cost North American producer of foundry grade pig iron.

Costs incurred and disposals to date are as follows:

	31/Dec/21	31/Dec/20
	\$	\$
Balance, beginning and end of year	1,462,322	1,462,322



5. PROPERTY AND EQUIPMENT

For the period ended December 31, 2021

Opening net book value	1,232	8,999	137	10,368
Depreciation	(387)	(1,499)	(23)	(1,909)
Net Book Value	845	7,500	114	8,459

As at December 31, 2021

Cost	3,250	18,751	282	22,283
Accumulated depreciation	(2,405)	(11,251)	(168)	(13,824)
Net Book Value	845	7,500	114	8,459

6. SHORT TERM LIABILITIES

	31-Dec-21	30-Jun-21
	\$	\$
(i) Short term loan from unrelated party interest at 12% due April 16, 2022	1,000,000	1,000,000
(ii) Short term loan from related party interest at 6% due on demand	3,161,631	3,067,667
(iii) Short term loan from a related party, interest at 10% due October 28, 2021	28,314	26,779
(iv) Short term loan from a related party, interest at 10% due December 22, 2021	27,848	26,239
(v) Short term loan from a related party, interest at 10% due August 5, 2022	20,847	-
(vi) Short term loan from a related party interest at 10% due August 30, 2022	26,059	-
(vii) Convertible debenture from a related party	2,000,000	1,972,500
(vii) Convertible term from a third party at 5% interest rate due on July 5, 2022	738,898	719,634
Balance, end of period	7,003,597	6,812,819

6. SHORT TERM LIABILITIES (continued)

- (i) On April 16, 2020, the Corporation received from a third party, a loan of \$1,000,000 bearing interest at 10% per annum payable monthly with interest payments of \$8,333. The loan agreement includes the issuance of 100,000 warrants with each warrant entitling the lender to acquire one common share of the Corporation at an exercise price of \$0.15 per share for a period of two years. The loan matured on April 16, 2021 (the “**Maturity Date**”). In consideration of extending the Maturity Date of the loan to April 16, 2022, the Corporation issued 50,000 warrants with each warrant entitling the lender to purchase one common share of the Corporation at an exercise price of \$0.15 per share for a period of two years, and the interest rate increased from 10% per annum to 12% per annum.
- (ii) On September 29, 2016, GRI borrowed \$250,000 from a related party with interest at 6% per annum, accruing monthly. GRI also issued 50,000 common share purchase warrants at an exercise price of \$0.01 per share. The loan extended a line of credit facility bearing interest at 6% per annum, accruing monthly, to GRI in the amount of \$2,105,000. The loan and line of credit have been combined into a demand note, with no fixed terms of repayment, for \$2,355,000 with interest at 6% per annum accruing monthly. The original loan amount was increased by an additional \$14,000 on March 14, 2019, bringing the total loan amount to \$2,369,000. The warrant expiry time was extended to December 31, 2022. Including accrued interest, the balance outstanding at December 31, 2021 totaled \$3,61,631.
- (iii) On October 28, 2020, LSI received from a related party a one-year term loan of \$25,000 bearing interest at 10% per annum which matured on October 28, 2021. Terms of an extension are being negotiated and interest is still accrued monthly. Including accrued interest, the balance outstanding at December 31, 2021 totaled \$28,314.
- (iv) On December 22, 2020, LSI received from a related party a one-year term loan of \$25,000 bearing interest at 10% per annum which matured on December 22, 2021. Terms of an extension are being negotiated and interest is still accrued monthly. Including accrued interest, the balance outstanding at December 31, 2021 totaled \$27,848.
- (v) On August 5, 2021, LSI received from a related party a one-year term loan of \$20,000 bearing interest at 10% per annum which matures on August 5, 2022. Including accrued interest, the balance outstanding at December 31, 2021 totaled \$20,847.
- (vi) On August 30, 2021, LSI received from a related party a one-year term loan of \$25,000 bearing interest at 10% per annum which matures on August 30, 2022. Including accrued interest, the balance outstanding at December 31, 2021 totaled \$26,059.
- (vii) On May 1, 2015, the Corporation completed a non-brokered private placement of an unsecured convertible debenture for proceeds of \$2,000,000 with a related party. The debenture maturity date was subsequently extended to August 31, 2021, and bears interest at 5% per annum payable quarterly (the “**Amended Debenture**”). The Amended Debenture is convertible at \$1.00 per common share, at the option of the holder, into common shares of the Corporation on or prior to the maturity date. At the option of the Corporation, quarterly interest may be converted into common shares of the Corporation at a conversion price equal to the volume-weighted average trading price of the shares for the 20 consecutive trading days ending on the fifth trading day preceding the determination date. The determination date is 15 business days prior to the payment date. The Amended Debenture is a compound financial instrument and as such has been recorded as a liability and as equity. The liability component was valued first and the difference between the proceeds of the debenture and the fair value of the liability was assigned to the equity component. The present value of the liability was calculated using a discount rate of 14% which approximated the interest rate that would have been applicable to non-convertible debt of the Corporation at the time the Amended Debenture was issued. The liability component will be accreted to the face value



6. SHORT TERM LIABILITIES (continued)

of the liability using the effective interest method. The accretion of the liability is charged at an effective interest rate of 14% such that at maturity the liability component is equal to the face value of the outstanding Amended Debenture. The Corporation is currently in negotiation with the lender to further extend the maturity date of this loan, but in the interim, the Corporation continues to pay its quarterly interest in common shares of the Corporation.

- (viii) On July 5, 2018, an unsecured loan in the amount of \$621,000 was provided to PFL by a non-related party. The loan bears interest at a rate of 5% per annum. The maturity date has been extended to July 5, 2022. Including accrued interest, the balance outstanding at December 31, 2021 totaled \$738,898.

7. LONG TERM DEBT

	31-Dec-21	30-Jun-21
	\$	\$
ACOA loan (i)	352,122	337,267
Term loan from a third party at 6% interest, due December 31, 2022 (ii)	344,274	334,988
Term loan from a related party at 12% interest, due August 31, 2022 (iii)	2,977,980	2,804,022
Term loan from a related party at 8% interest, due October 28, 2022 (iv)	101,421	-
Term loan from a related party at 10% interest, due October 1, 2022 (v)	30,756	-
Convertible debenture from an unrelated party at 12%, due November 2, 2022 (vi)	200,000	-
CEBA loans (vii)		
Loan amount, beginning of year	194,969	28,226
Accretion expense	13,528	14,279
New Proceeds-net of government benefit	-	152,464
Balance, end of period (vii)	208,497	194,969
Total	4,215,050	3,671,246

The future minimum payments associated with the above debt instruments are as follows:

	C\$
2022	-
2023	3,500,000
Thereafter	740,000

- (i) In fiscal 2012, LSI received an interest-free repayable loan from ACOA, a government agency, in the amount of \$500,000 related to resource properties. The loan is repayable in five annual equal and consecutive installments commencing six months after the end of the fiscal year in which 'Project Success' is achieved. It is anticipated that project success will be achieved in the fiscal year ending June 30, 2022, and repayments will commence in December 2022.
- (ii) On August 25, 2016, GRI borrowed \$250,000 from an unrelated party bearing interest at 6% per annum, accruing monthly. GRI also issued 50,000 common share purchase warrants at an exercise price of \$0.01 per share. On January 1, 2021, the repayment date in the original loan agreement was extended to December 31, 2022, along with the warrant expiry date to December 31, 2022. Including accrued interest, the balance outstanding at December 31, 2021 totaled \$344,274.

7. LONG TERM DEBT (continued)

- (iii) On August 31, 2017, GRI received from a related party a loan of \$2,000,000 bearing interest at 12% per annum payable monthly. This loan was previously reflected in short-term debt, however, subsequent to year end, a loan extension was signed extending the payment of principal, without penalty, on or before August 31, 2022, and the holder has the option to convert the principal of the loan and the interest accrued on the loan to common shares at a conversion rate of \$2.10 per share. Including accrued interest, the balance outstanding at December 31, 2021 totalled \$2,977,980.
- (iv) On October 28, 2021, GRI received from an unrelated party a one-year term loan of \$100,000 bearing interest at 8% per annum, with interest accruing monthly. The maturity date is October 28, 2022. Including accrued interest, the balance outstanding at December 31, 2021 totaled \$ 101,421.
- (v) On October 1, 2021, LSI received from a related party a one-year term loan of \$30,000 bearing interest at 10% per annum which matures on October 1, 2022. Including accrued interest, the balance outstanding at December 31, 2021 totaled \$30,756.
- (vi) On November 2, 2021, the Corporation completed a non-brokered private placement of an unsecured convertible debenture for \$400,000 with an unrelated party. The maturity date of the debenture is November 2, 2022, and bears interest at a rate of 12% per annum payable monthly. To date, the Corporation received proceeds of \$200,000, with the remainder to be released after December 31, 2021. An additional \$100,000 was advanced after quarter end. The debenture is convertible, at the option of the holder, into common shares of the Corporation on or prior to the maturity date. The conversion price will be \$0.55 per common share. In addition, warrants to purchase 40,000 shares of the Issuer were granted at an exercise price of \$0.55 per share with an expiry date of November 2, 2023
- (vii) CEBA loans

On May 5, 2020, GRI received an interest-free loan of \$40,000 pursuant to the terms of the Canada Emergency Business Account (“**CEBA**”). This loan was created by the Federal Government to assist businesses during the COVID-19 pandemic. 25% of the loan is forgivable (up to \$10,000) if GRI repays the loan on or before December 31, 2023. If the loan is not repaid by that date, the loan can be converted to a two-year term loan bearing interest of 5% per annum.

On December 22, 2020, GRI received a second interest-free loan of \$20,000 pursuant to CEBA. This loan is on top of the initial \$40,000 loan received. 50% of the loan is forgivable (up to \$10,000) if GRI repays the loan on or before December 31, 2023. If the loan is not repaid by that date, the loan can be converted to a two-year term loan bearing interest of 5% per annum.

On December 22, 2020, MMI received an interest-free loan of \$40,000 pursuant to CEBA. 25% of the loan is forgivable (up to \$10,000) if MMI repays the loan on or before December 31, 2023. If the loan is not repaid by that date, the loan can be converted to a two-year term loan bearing interest of 5% per annum.

On January 26, 2021, MMI received a second interest-free loan of \$20,000 pursuant to CEBA. This loan is on top of the initial \$40,000 loan received. 50% of the loan is forgivable (up to \$10,000) if MMI repays the loan on or before December 31, 2023. If the loan is not repaid by that date, the loan can be converted to a two-year term loan bearing interest of 5% per annum.

On January 8, 2021, LSI received an interest-free loan of \$40,000 pursuant to CEBA. Also on January 26, 2021, LSI received a second interest-free loan of \$20,000 pursuant to CEBA. The loans are forgivable (up to \$20,000) if LSI repays the loans on or before December 31, 2023. If the loans are not repaid by that date, the loans can be converted to a two-year term loan bearing interest of 5% per annum.



7. LONG TERM DEBT (continued)

On January 22, 2021, PFL received a combined interest-free loan of \$60,000 pursuant to CEBA. The loan is forgivable (up to \$20,000) if PFL repays the loan on or before December 31, 2023. If the loan is not repaid by that date, the combined loan can be converted to a two-year loan bearing interest of 5% per annum.

8. SHARE CAPITAL

On August 2, 2021, the Corporation issued 163,342 common shares to FLH. This represents interest due August 1, 2021 in the aggregate amount of \$25,000 on the Amended Debenture and was made at a deemed price of \$0.1531 per share, which is the volume-weighted trading price for 20 trading days ended July 12, 2021. The securities are subject to a four-month hold period following the date of issuance

On November 1, 2021, the Corporation issued 57,508 common shares to FLH. This represents interest due November 1, 2021 in the aggregate amount of \$25,000 on the Amended Debenture and was made at a deemed price of \$0.4347 per share, which is the volume-weighted trading price for 20 trading days ended October 8, 2021. The securities are subject to a four-month hold period following the date of issuance.

COMMON STOCK OUTSTANDING	Number of Shares	Amount
Authorized: Unlimited number of common shares without par value	#	\$
Issued and outstanding June 30, 2020	18,830,815	9,387,978
Issued in payment of interest	693,211	100,000
Issued and outstanding June 30, 2021	19,524,026	9,487,978
Issued in payment of interest	220,850	50,000
Issued and outstanding December 31, 2021	19,744,876	9,537,978

9. WARRANTS

	Outstanding and exercisable as at December 31, 2021			
	Number #	Exercise price \$	Expiry date	Issuance date
MMI warrants (note 6(i))	100,000	0.15	April 16, 2022	April 16, 2020
MMI warrants (note 6(i))	50,000	0.15	April 16, 2023	April 16, 2021
GRI warrants (note 7(ii))	50,000	0.01	December 31, 2022	August 25, 2016
GRI warrants (note 7(iii))	50,000	0.01	December 31, 2022	September 29, 2016
GRI warrants (note 7(iv))	50,000	2.00	October 28, 2023	October 28, 2021
MMI warrants (note 7(vi))	40,000	0.55	November 2, 2023	November 2, 2021
MMI warrants (note 6(i))	50,000	0.55	December 22, 2023	December 22, 2021



10. STOCK BASED COMPENSATION PLAN

The Board of Directors has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of the Corporation. Options to acquire common shares are granted at option prices which shall be not less than the fair market value of the shares at the time the option is granted. Fair market value shall be deemed to be the average between the highest and lowest prices at which the common shares are traded on the day the option is granted and if not so traded, the average between the closing bid and asked prices thereof as reported for the day on which the option is granted. Options expire between one and ten years from the date of the grant. The Corporation has reserved 3,504,614 (2020 – 3,504,614) common shares pursuant to the stock option plan. There are 1,682,000 (2020 – 2,114,000) options to acquire common shares outstanding under the plan as at December 31, 2021. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

No stock options were issued for the three-month period ended December 31, 2021.

Options Outstanding and Exercisable			
Number of options Outstanding	Expiry Date	Exercise Price \$	Number of options exercisable
112,000	28-May-2022	0.65	112,000
350,000	30-Nov-2022	0.65	350,000
815,000	6-Dec-2023	0.85	815,000
405,000	8-Dec-2024	0.75	405,000
1,682,000		0.77	1,682,000

GRI Stock Option Plan

The Board of Directors of GRI has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of GRI. Options to acquire common shares are granted at prices as determined by the Board of Directors. Options expire five years from the date of the grant.

GRI has reserved 2,376,933 (2020-2,376,933) common shares pursuant to the stock option plan. There are Nil (2020-150,000) options to acquire common shares outstanding under the plan as at December 31, 2021. Any unexercised options that expire or are forfeited become available again for issuance under the plan. There were no GRI stock options issued during the period

METALO MANUFACTURING INC.
Notes to Consolidated Financial Statements
For the three and six months ended December 31, 2021
(Amounts presented in Canadian Dollars)



11. EXPENSES BY NATURE

	Three months ended		Six months ended	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Operating expenses				
Utilities	1,996	4,008	3,013	6,225
Dues and fees	17,228	14,483	20,812	21,344
Feasibility Study	-	-	-	6,270
Foreign exchange gain	80	(5,345)	3,251	(8,945)
General and administrative	6,502	2,966	7,241	4,541
Management and consulting fees	59,250	106,200	112,000	148,700
Professional fees	6,461	18,784	24,848	41,755
Rental	960	936	1,920	1,860
Travel	1,041	6,993	2,326	19,601
Salaries and wages	27,880	27,807	55,036	63,426
	121,399	176,832	230,448	304,777

12. RELATED PARTY TRANSACTIONS

In addition to the related party loans described in Notes 6 and 7, the Corporation has the following related party transactions. The compensation expense associated with key management, directors and employees for services is as follows:

	Three months ended		Six months ended	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	\$	\$	\$	\$
Management fees	58,250	79,700	108,500	118,700
Directors' fees	1,000	2,100	3,500	5,600
Salaries and benefits	27,880	28,695	55,036	64,314
Operating expenses	87,130	110,495	167,036	188,614
	-	-	-	-
	87,130	110,495	167,036	188,614

The Corporation has issued shares in lieu of payment of interest on a related party loan as described in Note 6 (vii).

13. INCOME TAXES

The Corporation's income taxes have been calculated as follows:

	Three months ended		Six months ended	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	\$	\$	\$	\$
Income (loss) before income taxes	(373,326)	(376,297)	(695,704)	(710,162)
Combined Federal and Provincial tax rate	31%	31%	31%	31%
Expected expense (recovery) at statutory rates	(115,731)	(116,652)	(215,668)	(220,150)
Subsidiary rate differential	-	4,063	2,127	6,393
Deferred tax debit	115,731	112,589	213,541	213,757
Deferred tax recovery expense	-	-	-	-

The Corporation has non-capital losses of approximately \$21.8 million to be carried forward and applied against future taxable income. The non-capital losses start to expire in 2028.

14. COMMITMENTS AND CONTINGENCIES

The Corporation was advised that on February 8, 2019, the trustee for the estate of Forks has filed an adversary complaint in the United States Bankruptcy Court for the Eastern District of Pennsylvania against the Corporation, Grand River Ironsands Incorporated, North Atlantic Iron Corporation and Francis MacKenzie (collectively, the “Defendants”). The trustee is alleging that the Defendants are responsible for the debts of Forks. The Defendants maintain that the suit has no merit and have retained local counsel to defend its position. Several motions have been filed and the matter is ongoing.

15. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its long-term debt, share capital, equity component Amended Debenture, stock-based payment reserve, accumulated other comprehensive income, retained earnings and non-controlling interest. Its objective when managing capital is to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders. See Note 1.

The Corporation manages its capital structure and adjusts it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Corporation is not subject to any externally imposed capital requirements or debt covenants and does not presently utilize any quantitative measures to monitor its capital. The Corporation’s overall strategy with respect to management of capital remains unchanged from the year ended June 30, 2019.

16. FINANCIAL INSTRUMENTS

The carrying amounts reported on the financial statements for cash, accounts receivable, trade and other payables and short-term loans all approximate their fair values due to their immediate or short-term nature. Management believes the carrying amounts of long-term debt also approximate their fair values, as they believe the effective interest rates used by management in determining the carrying values of long-term debt continue to be appropriate.

Risk Disclosures

The main risks the Corporation’s financial instruments could be exposed to are credit risk, liquidity risk, foreign exchange risk, and interest rate risk.

Credit Risk

Trade and other payables are due in the next 12 months. The Corporation’s credit risk is primarily attributable to its cash. The Corporation places its cash with high quality financial institution and in reliable trust account in Canada, and as result, believes its exposure to credit risk is minimal.

Liquidity Risk

The Corporation’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Corporation’s reputation. To the extent that the Corporation does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Corporation manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional loans from directors/shareholders, and new equity financing have provided the necessary liquidity required. Trade and other payables are due within 12 months. See Note 8 for contracted payments of long-term debt. See note 1.

16. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk

The Corporation limited US dollar exposure, however, maintains some US denominated bank accounts to settle trade payables denominated in US dollars and a five percent change in the US dollar to Canadian dollar exchange rate would not have a significant impact on their carrying values.

Interest Rate Risk

The Corporation is exposed to interest rate price risk to the extent that a portion of the long-term debt is at a fixed interest rate.

17. SUBSEQUENT EVENTS

On February 2, 2022, the Corporation issued 120,316 common shares to FLH. This represents interest due February 1, 2022 in the aggregate amount of \$25,000 on a convertible debenture and was made at a deemed price of \$ 0.2078 per share, which is the volume-weighted trading price for the 20 trading days ending January 8, 2022. The securities are subject to a four-month hold period following the date of issuance.

18. SEGMENTED INFORMATION

As at December 31, 2021 the Corporation has two operating business segments;

1. LSI, a private corporation, incorporated under the *Corporations Act* of Newfoundland and Labrador, is a development stage enterprise in the process of exploring its mineral properties in Newfoundland and Labrador. It is a majority owned subsidiary of GRI.
2. PFL, a federally incorporated private entity created under the *Canada Business Corporations Act* and registered extra-provincially in Quebec to be engaged in the production of pig iron.

The Corporation's Board of Directors evaluates the performance of these segments and allocates resources to them based on certain performance measures (mainly earnings from operations and cash flow from operations). Segment earnings correspond to each business' earnings from operations. The Corporation's management reporting system evaluates performance based on a number of factors; however, the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("EBITDA")



18. SEGMENTED INFORMATION (continued)

	Corporate		Labrador Sands		Pure Fonte		Total	
	31/Dec/21	31/Dec/20	31/Dec/21	31/Dec/20	31/Dec/21	31/Dec/20	31/Dec/21	31/Dec/20
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue - intersegment	-	-	-	-	-	-	-	-
Operating expenses	(151,102)	(194,798)	(59,571)	(57,318)	(19,774)	(52,662)	(230,448)	(304,777)
Depreciation and Amortization	(532)	(532)	(1,377)	(1,377)	-	-	(1,909)	(1,909)
Interest and bank charges	(377,766)	(346,018)	(10,338)	(8,036)	(19,292)	(19,158)	(407,396)	(373,212)
Interest accretion	(61,639)	(3,090)	(17,299)	(15,437)	(4,351)	(40,605)	(83,290)	(59,132)
Government assistance benefit	-	-	-	-	-	-	-	14,631
Gain on modification of debt	27,500	-	-	-	-	-	27,500	-
Realized gain (loss) on investments	(161)	-	-	-	-	-	(161)	-
Unrealized gain on investments	-	(1,200)	-	-	-	-	-	(1,200)
	(563,700)	(542,548)	(88,586)	(82,168)	(43,418)	(112,425)	(695,704)	(725,599)
Segment income (loss) before taxes	(563,700)	(542,548)	(88,586)	(82,168)	(43,418)	(112,425)	(695,704)	(725,599)
Total assets	84,894	81,937	10,947	34,084	1,463,480	1,466,941	1,559,321	1,582,962
Total liabilities	10,700,303	9,789,899	563,440	432,099	861,126	706,240	12,124,869	10,928,238

Geographical segments

The above segments are managed on a worldwide basis, but operate in two principal geographical areas, namely, Canada and the United States. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. Revenue from external customers for the year ending December 31, 2021, was \$nil. (2020 \$nil)

	31/Dec/21	31/Dec/20
	\$	\$
Canada	1,559,321	1,582,962
United States of America	-	-
Total assets	1,559,321	1,582,962